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A whole new digital world

The digital asset evolution

CSDR Insight

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HSBC set for restructure as it reveals 35,000 job cuts

HSBC is set for a restructure following its 2019 financial performance results, which revealed the bank could potentially see a loss of 35,000 jobs by 2022.

During the announcement of the bank's 2019 results, HSBC's group executive Noel Quinn said: "We will be investing in incremental headcount in areas of growth, but what we are sort of guiding the market to is we would expect our headcount to decrease from the current level of 235,000 to be closer to 200,000 in 2022. That is not a target."

Quinn indicated that HSBC will adjust its headcount in line with how the business is progressing as well as factors relating to the economic environment. He described the group's 2019 performance as "resilient", but added that "parts of our business are not delivering acceptable returns".

In light of this, Quinn revealed that HSBC is outlining a revised plan to increase returns for investors, create the capacity for future investment, and build a platform for sustainable growth.

He said: "We have already begun to implement this plan, which my management team and I are committed to executing at pace."

HSBC also noted that it intends to reduce capital and costs in its underperforming businesses to enable "continued investment in businesses with stronger returns and growth prospects, including in retail banking and wealth management and in all our businesses in Asia".

In the report, HSBC also detailed that the plan is "to simplify [its] complex organisational structure, including a reduction in group and central costs while improving the capital efficiency of the group". The results showed that reported profit attributable to ordinary shareholders was down 53 percent to $6 billion, which HSBC said was materially impacted by a goodwill impairment of $7.3 billion.

The report noted that to achieve the targets, HSBC expects to incur restructuring costs of around $6 billion and asset disposal costs of around $1.2 billion during the period to 2022, with the majority of restructuring costs incurred in 2020 and 2021.

Euroclear sees increase in assets under custody

Euroclear's FundsPlace product has continued to attract asset managers and exchange-traded funds issuers with fund assets under custody rising to €2.4 trillion last year.

The Belgium-based post-trade services provider revealed that at year-end it held €31.4 trillion of assets under custody.

The results also showed that the average value of securities held on behalf of Euroclear clients continued to grow, showing a 5 percent increase in 2019, to €30.1 trillion compared to €28.8 trillion in 2018.

Elsewhere, revenues increased by 8 percent, compared to the year prior where they amounted to €1,435 million.

Euroclear explains that business income rose by 6 percent to €1,145 million due to the delivery of its "strategic initiatives and benefit of positive market conditions".

Moreover, its banking and "other income" increased by 13 percent to €290 million, which Euroclear says was "boosted by higher US interest rates in the first half of 2019".

Elsewhere, the firm revealed that its Collateral Highway platform mobilised a yearly average of €1.3 trillion, up 6 percent on 2018.

Commenting on the results, Lieve Mostrey, CEO of Euroclear, said that 2019 was a record year for the firm. Mostrey commented: "Looking forward, despite headwinds from lower interest rates environment, we continue to invest in customer and product expansion and to enhance our technology. By remaining focused on delivering our strategic objectives, we expect to create further value for all our stakeholders."

COO's influences reach 'beyond back office', survey reveals

The "growing influence" of chief operating officers (COOs) is reaching beyond the back office, with 60 percent wanting a different job title to reflect their expanding role, according to a global survey released by BNP Paribas Securities Services.

The survey suggested that COOs across Europe, the US and Asia are now more focused on growth and transformation, which reflects financial institutions' drive to adapt to change.

Key findings from buy side respondents highlighted the increasing competition and ongoing digital transformation in the asset management industry, as some 63 percent of asset manager COOs listed "increased competition in the market as a key challenge".

Further findings from the buy side identified that 61 percent of asset manager COOs said they were looking for closer collaboration with IT or technology departments, versus 38 percent overall.

The survey also found that asset manager COOs are most likely to come from technology or IT backgrounds, whereas COOs across financial services are more likely to come from finance or accounting backgrounds.

Additionally, 59 percent of asset manager COOs said they would spend more time on delivering change projects in future (versus 43 percent overall), while 24 percent would prefer to be called 'chief change officer', compared to 17 percent overall.

Meanwhile, key findings from the sell side revealed that 56 percent of sell-side COOs said that commercial acumen is the most important competency to have in the future, versus 28 percent on the buy side, representing a two-fold increase of the current figure.

According to BNP Paribas, 42 percent of sell-side COOs saw themselves spending more time on realising cost savings in the future, versus the current 32 percent. The survey also found that sell-side COOs were most likely to feel the COO title is still relevant, while only half of the respondents felt an alternative was more appropriate.

Other key findings suggested that while risk management remains a key part of the role, COOs said that driving growth opportunities, including new products and services (52 percent), and delivering transformational and significant change projects (39 percent), have become essential.

BNP Paribas noted that this trend is particularly marked in Asia Pacific where 56 percent of COOs ranked transformation as their top priority, compared to 26 percent in North America.

From a global perspective, COOs recognised that they cannot rely on technology alone, BNP Paribas highlighted. More than half (67 percent) of COOs said upskilling the workforce could help drive transformation projects and business growth, while 60 percent said spending time with clients would assist with this.

Alain Pochet, head of client delivery at BNP Paribas Securities Services, said: "Our survey shows that COOs are adapting quickly to meet these challenges, and are embracing their growing remit. Crucially, they are not relying on technology alone, but are also upskilling their workforce, a combination which could prove key to the successful transformation of financial institutions."

Paxos starts settling US securities for Credit Suisse and Instinet

Paxos Trust Company, a New York-regulated financial institution that digitises assets, launched its Paxos Settlement Service, which can settle US-listed equity trades between broker-dealers Credit Suisse and Instinet.

Paxos Settlement Service is a private, permissioned blockchain solution designed to allow two parties to bilaterally settle securities trades directly with each other.

The newly operational service represents the first live application of blockchain technology for listed US equities.

Credit Suisse's head of digital asset markets, Emmanuel Aidoo, said that the initiative has the potential to deliver "great efficiency and cost savings to the post-trade cycle".

In launching the service with Credit Suisse and Instinet, Paxos is allowing for the simultaneous exchange of cash and securities to settle trades.

Additionally, a third participant, Societe Generale, is set to begin settling US-listed equities trades with Paxos Settlement Service.

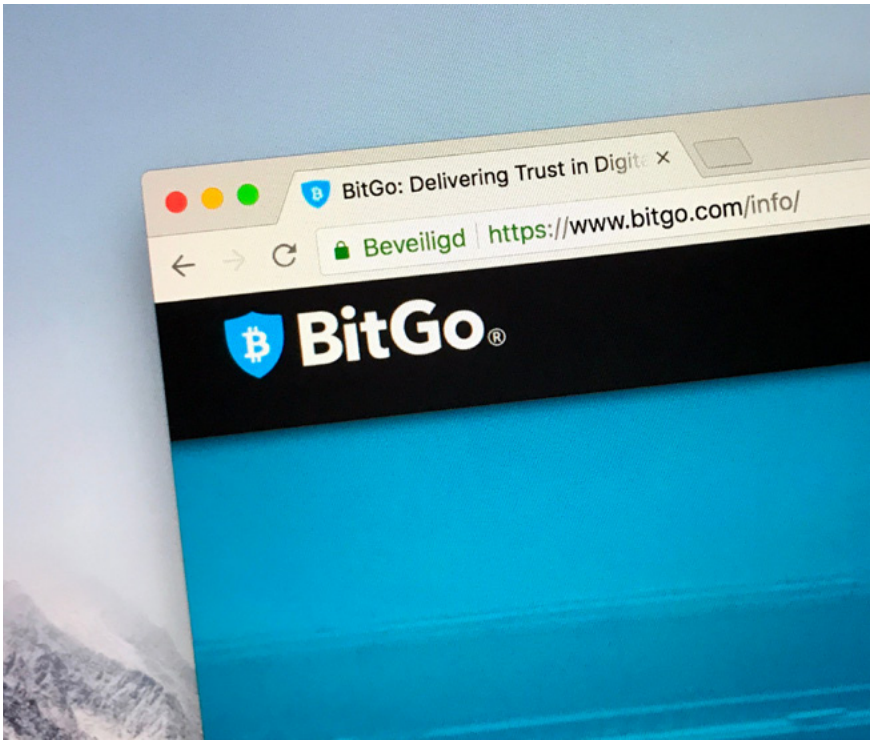
Paxos noted that it will submit its application for clearing agency registration with the SEC in 2020 so that it can offer the Paxos Settlement Service to all street side broker-dealers to settle US-listed equities.

Charles Cascarilla, CEO and co-founder of Paxos, stated: "Launching Paxos Settlement Service under no-action relief is the first step in our journey to transform post-trade infrastructure in the securities industry."

He explained: "We've worked closely with Credit Suisse and Instinet to build a solution that can deliver long-term cost benefits and together we will refine the system in a live environment. Our upcoming application for clearing agency registration demonstrates our dedication to modernising market structure on a large scale."

Luke Mauro, global head of operations at Instinet, commented: "Instinet has always been committed to finding new and innovative ways to integrate technology into the trading life cycle to improve efficiency and benefit our clients."

"Going live with Paxos Settlement Service will bring about significant digital transformation to this part of the trading process and help to optimise securities settlement," Mauro added.



BitGo acquires digital securities platform

BitGo is set to acquire Harbor, the digital securities platform, as well as its broker-dealer and transfer agent subsidiaries.

The acquisition will extend BitGo's capabilities to address a wider class of digital assets for institutional investors and provide a foundation for a full-stack digital assets solution.

BitGo provides institutional clients with security, custody, and liquidity solutions for digital assets.

The acquisition of Harbor follows BitGo's acquisition of Hedge, which formed the foundation of BitGo Staking.

According to Josh Stein, CEO of Harbor, the digital securities platform will provide "important service capabilities" through its digital assets broker-dealer and transfer agent subsidiaries.

Stein said: "We believe participants will ultimately need to be trusted, full-stack solutions for digital currencies and now BitGo is well-positioned to address institutional requirements as the market develops."

"BitGo has been an important partner since Harbor's inception. We've worked closely together to integrate BitGo Business Wallets and BitGo Custody into Harbor's service," he added.

Meanwhile, BitGo's CEO, Mike Belshe, said: "Our vision has always been bigger than wallets and custody, and acquiring Harbor furthers BitGo's vision of building a new digital infrastructure for financial services."

Hazeltree collaborates with AcadiaSoft to help clients with UMR

Hazeltree, a provider of integrated treasury management and portfolio finance solutions, has partnered with AcadiaSoft to enhance its collateral management platform ahead of the implementation of the final waves of the Uncleared Margin Rules (UMR). Asset managers, pension funds and insurance companies are scheduled to start posting initial margin (IM) for non-centrally cleared derivatives under UMR based on their volume thresholds either with phase 5 on 1 September 2020 or phase 6 on 1 September 2021.

Under the new rules, derivatives trading relationships become increasingly complex, requiring both sides of each transaction to calculate daily IM, Hazeltree highlighted.

In response to this challenge, the partnership will see the Hazeltree Collateral Manager service now include Standard Initial Margin Model (SIMM) calculations, in partnership with AcadiaSoft.

According to Hazeltree, calculating bilateral margin under SIMM requires sophisticated risk, sensitivities and market data inputs across all covered trading with each respective counterparty.

The new initiative will provide the Hazeltree buy-side community with seamless margin calculations for their entire margin workflow, all in a single cloud solution.

Hazeltree explained that Hazeltree Collateral Manager helps optimise collateral usage and minimise operational risks.

Additionally, it strengthens controls and enhances treasury return on investment through a streamlined, automated over the counter collateral management process, Hazeltree noted.

Fred Dassori, head of strategic development at AcadiaSoft, said: "By partnering with Hazeltree, we're able to offer the buy-side community a state-of-the-art integrated solution that both helps our clients meet their UMR obligations and takes another step toward standardisation across the industry. The more consistency we can bring to these services, the more efficient we'll make the entire margin process for our clients," Dassori added.

CACEIS survey finds pension schemes ill-equipped for ESG reporting

CACEIS found that 43 percent of trustees and pension fund managers in the UK are unprepared to report on their scheme's environmental, social and governance (ESG) policy to a high standard. As of 1 October 2019, new UK legislation required trustees to outline how they approach financially material factors into the investment decision making within their Statement of Investment Principles.

The material factors include ESG and climate change considerations, which globally has been a hot topic in recent times.

On climate change, 73 percent of CACEIS' survey participants in the pensions industry said they are unfamiliar with climate change-related risks.

A further 26 percent revealed that they find getting access to the right information to help with their pensions scheme ESG policy challenging.

Commenting on this, CACEIS said: "This information gap will make the necessary

Northern Trust to provide outsourced trading services to Illinois pension fund

Northern Trust is set to expand its 30-year relationship with the Illinois Municipal Retirement Fund (IMRF), the state's second-largest public retirement plan, providing it with its integrated trading solutions. The US bank already provides the $44 billion fund with global custody, securities lending, valuation support, compliance analysis, banking, treasury services, investment management.

According to Northern Trust's head of institutional sales and trading, Grant Johnsey, through integrated trading solutions, the bank will provide global trade execution, matching, and transaction cost analysis reporting.

Johnsey said: "Our trade execution solution is helping the IMRF team free-up resources while allowing them to exercise the high levels of oversight and governance that they and their participants demand."

Michael Lowery, quantitative equity trader at IMRF, commented: "IMRF views Northern Trust integrated trading solutions as an extension of its own internal trading function that will benefit from industry experience, transaction cost analysis and transparency into the execution process."

Dhvani Shah, chief investment officer at IMRF, added: "We have a long-standing relationship with Northern Trust and appreciate the level of service and expertise they provide to us. IMRF works with Northern Trust in other capacities and views the ITS platform as an addition to an already well-functioning relationship between our organisations."

reporting even more labour intensive and time consuming. Trustees will want to validate the fact their funds have implemented sustainable or ESG principles'. Gaining access to the right data will be key to do this."

CACEIS also observed that the momentum across the industry is firmly moving towards responsible and sustainable investing.

The survey found that 55 percent of those trustees and pension managers surveyed believe that exposure to ESG-related investments will increase significantly in the next three years.

CACEIS noted that this is further evidenced by the fact that 58 percent feel that better ESG integration aligns with the values of their scheme members.

According to CACEIS, the legislation is a step forward towards ensuring trustees have a plan of action when embedding ESG risks into trustee governance and strategic plans for schemes. The asset servicing bank also highlighted that it is clear that implementing an ESG framework won't always be easy to apply because of the numerous touchpoints involved.

CACEIS outlined: "It can be very difficult, for example, to assess the Environmental, Social & Governance characteristics of a company – and sometimes analysts may disagree on their findings."

Pat Sharman, managing director, CACEIS, commented: "While 2019 saw ESG, and with it the improved standards of governance, creep higher on the corporate agenda; now is the year ESG becomes front and centre for UK pension schemes.

From a corporate citizenship perspective, as well as fiduciary requirement, implementing climate change and good ESG principles will be important for pension schemes of all shapes and sizes to help manage longer-term risks for the benefit of members."

IQ-EQ enhances US presence with Blue River Partners acquisition

IQ-EQ has partnered with Blue River Partners, a US provider of outsourced solutions to alternative asset managers.

The newly combined US operation between IQ-EQ and Blue River will total 200 people in the US as a result of this transaction, IQ-EQ noted.

Headquartered in Dallas, Blue River also has offices in Fort Worth, Houston, Austin, New York, Chicago and San Francisco, and services more than 400 clients across the US.

Blue River's offering includes tax compliance and advisory services; IT and cybersecurity consulting and managed services, as well as a host of operations, tax and IT services to portfolio companies and assets owned by private equity funds.

Blue River's founding partners, Mark Fordyce, CEO, and Michael Minces, president, will assume the leadership of IQ-EQ's US operations.

IQ-EQ's group executive chair Serge Krancenblum highlighted that the acquisition marks a "key milestone" for IQ-EQ as it strategically increases its presence in the US.

Krancenblum said: "We have been impressed by Blue River's growth and professionalism.

Under the leadership of Fordyce and Minces, we will be in an extremely strong position to capitalise on market opportunities in the US."

Broadridge completes FundsLibrary acquisition

Broadridge has completed the acquisition of FundsLibrary, a fund document and data dissemination in the European market.

The acquisition is set to accelerate Broadridge's pan-European regulatory communications and digital data platform, as well as support the lifecycle of fund data, documents, and regulatory reporting for the investment industry.

Meanwhile, FundsLibrary's solutions enable fund managers to increase distribution opportunities and help them comply with regulations.

Broadridge noted that the business will be combined with FundAssist, Broadridge's existing European funds regulatory communications business. According to Broadridge, the combination of FundsLibrary's data platform and technology with Broadridge's existing fund calculation, document creation and translation capabilities, creates an end-to-end solution for fund managers and distributors.

Broadridge added that this will enable them to respond to demanding regulatory requirements across multiple jurisdictions.

The combined business will be known as Broadridge Fund Communication Solutions, and will be led by Arun Sarwal, former CEO of FundsLibrary.

Commenting on the acquisition, Sarwal said: "This combined business will enable Broadridge clients to utilise a single provider for the creation and dissemination of fund marketing and regulatory documents so they can increase distribution opportunities and meet the demanding standards of regulation."

The CSDR countdown

Maddie Saghir reports

CSDR aims to harmonise the authorisation and supervision of central security depositories, and while challenges lurk ahead, the new deadline is set to help firms reach compliancy when the clock strikes for CSDR

The Central Securities Depositories Regime (CSDR) has been at the top of many agendas in the asset servicing industry for some time now. The regulation addresses Europe's settlement systems, to create a smarter and more efficient industry best practice.

CSDR will require European central security depositories (CSDs) to automatically apply penalties to market participants who fail to complete transactions on the contractual settlement date, with the aim to harmonise aspects of the settlement cycle and settlement discipline.

James Wharton, head of custody operations at Winterflood Business Services, suggests that CSDR is the "latest piece of an epic Europe-wide regulatory push to speed up settlement, but has created disquiet among market participants due to its one-size-fits-all approach – as well as cash penalties which have the ability to impact already under pressure profit and loss".

The regulation will affect many industry participants including custodians, fund managers, clearinghouses and brokers, and affects any firm that is a registered member of a CSD.

However, the build-up has not been smooth, in February this year, the European Securities and Markets Authority (ESMA) recommended a delay to the Settlement Discipline Regime (SDR) to 1 February 2021, which allows the industry participants extra time to prepare.

This extended deadline came after a multitude of warnings from those in-scope that the rules would damage market stability.

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Although there have been delays, Wharton emphasises that CSDR is already in place.

He says: "Companies who are a member of a CSD have to offer clients the choice of having their own segregated accounts for a 'reasonable fee'. However, alarmingly, most organisations do not have the ability to segregate at the CSD level within their current technology stack."

Market impact

The main opportunity that is set to sprout from CSDR is the harmonisation of the settlement cycle and settlement discipline, creating a more efficient market by eliminating the inefficiencies and risks in the post-trade operating model. Wharton outlines that the aim is to provide a set of common requirements for CSDs operating securities settlement systems across the EU.

According to Wharton, CSDR will also change the trading landscape, he suggests: "For example, the new regulation will sweep away the era of share certificates as all trades move through the CSD. In a post-CSDR world, all settlements will be fully auditable and transparent".

Wharton explains: "SDR, an element of the CSDR, binds together the trade and post-trade, aiming to improve the safety and efficiency of securities settlement by ensuring buyers and sellers receive securities and money on time and without risk. Ultimately, the aim of CSDR, in the spirit of the second Markets in Financial Instruments Directive (MiFID II), is providing better transparency and lowering market risk."

Regulations, such as the European Market Infrastructure Regulation (EMIR), MiFID II, and the upcoming Securities Financing Transactions Regulation (SFTR), have surfaced more vigorously since the financial crisis, which highlighted the importance of transparency in the market.

However, the increasingly complex regulations, which require heavyweight technology, can cause disruption in the market.

For example, as Wharton points out, MiFID II unleashed a wave of disruption on the financial markets, and while it has been burdensome on wealth and asset managers, it is also beginning to yield positive results for investors. According to the UK Financial Conduct Authority, the research unbundling rules are working well for investors.

Wharton also argues that with MiFID II now implemented across the industry, firms must now be alive to the next wave of regulatory challenges.

"The [FCA] recently stated the fall in research spending shows unbundling rules have improved asset managers' accountability over costs, 'saving millions' for investors. In many ways, orderly settlement and CSDR is the last evolutionary piece of this regulatory puzzle," Wharton cites.

Daniel Carpenter, head of regulation at Meritsoft adds that CSDR not only needs to be seen as need to understand failures reasons and costs, but as a chance for operational departments to help COOs drive operational improvements around penalties and buy-in processes, making the front office and the board take notice.

Delayed

CSDR's delay came after a storm of suggestions and alarm bells, such as the letter composed by fourteen trade associations, including the International Securities Lending Association, the International Capital Market Association, Associations for Financial Markets Europe, called for radical amendments to the settlement discipline regime of CSDR.

A letter from the group was sent to Steven Maijoor, chair of the European Securities and Markets Authority, and Valdis Dombrovskis, executive vice-president at the European Commission, which highlighted the scale of the concern from affected parties that CSDR's mandatory buy-in regime and cash penalties for settlement fails will significantly damage market liquidity and stability.

The letter, from 24 January, read: "We [the associations] are extremely concerned that if the buy-in regime is implemented as it stands, there will be a significant negative impact on market liquidity, operational processes, and ultimately, end investors."

In light of this, ESMA explained that it is proposing a delay to the entry of the regulatory technical standards (RTS) on settlement discipline, "having taken into account the additional time needed for the establishment of essential features for the functioning of the SDR, such as the necessary ISO messages, the joint penalty mechanism of CSDs that use a common settlement infrastructure, and the need for proper testing of the new functionalities".

Discussing the implications of the delay, Heiko Stuber, senior product manager at SIX, urges market participants to not waste the additional time afforded to them by ESMA, and to use it wisely.

Stuber says: "The main challenge is that custodians are struggling to access the granularity of information needed to assess the financial instruments that could fail to settle under CSDR."

"While they may be able to get cash amounts from CSDs, a custodian can't easily get hold of the reference and price data being used to work out exactly how the penalties were calculated. This includes really important insights such as how to determine the market valuation of any given instrument, not to mention the closing price of the most relevant market within the EU," Stuber adds.

Meanwhile, Carpenter comments: "A delay was being talked about previously, but many participants had already planned their CSDR project delivery to take place in 2020. As a result, this short extension doesn't affect their preparations, with houses focused on finalising their projects before the end of the year."

"The houses we are speaking to have ramped up their resources, as well as their plans, and are focused on parallel runs to improve fails management processes and client engagement, well in advance of this new date."

While numerous market participants are affected differently, Carpenter adds that the regulation "needs to be seen by all of them not only as a need to understand the reasons and costs for trade failures, but as a chance for operational departments to help COOs drive operational improvements around penalties and buy-in processes, making the front office and the board take notice of the operational costs".

No place to hide

Firms have a lot to organise before the implementation date of CSDR, but this new delay might give them a boost. In terms of what they must do between now and the enforcement date, Carpenter highlights that multiple CSDs need to work out a standardised way for calculating fines and penalties.

Meanwhile, custodian banks need to figure out a more efficient way of validating penalties and passing on key information to their clients, all while investment banks and brokers adopt new settlement processes, and fund managers start trying to deliver securities on time, according to Carpenter. In terms of where people should be at present, Wharton notes that as of 12 July, wealth managers and platforms should have started reporting all internal transfers, including spousal gifting. The last phase will arrive with mandatory cash penalties and buy-ins for settlement failures.

Discussing one significant implementation hurdle, Wharton cites: "Firms with a large proportion of high-volume settlement fails are more at risk. Fortunately, outsourcing can diminish the risk of impact."

Wharton continues: "Working with a third-party proven expert that, firstly, has a track record of implementing robust frameworks to comply with the regulatory challenges, and secondly, can offer a CSDR-compliant service delivering contractual settlements, will ensure the firm gets to grips with CSDR and mitigate risk."

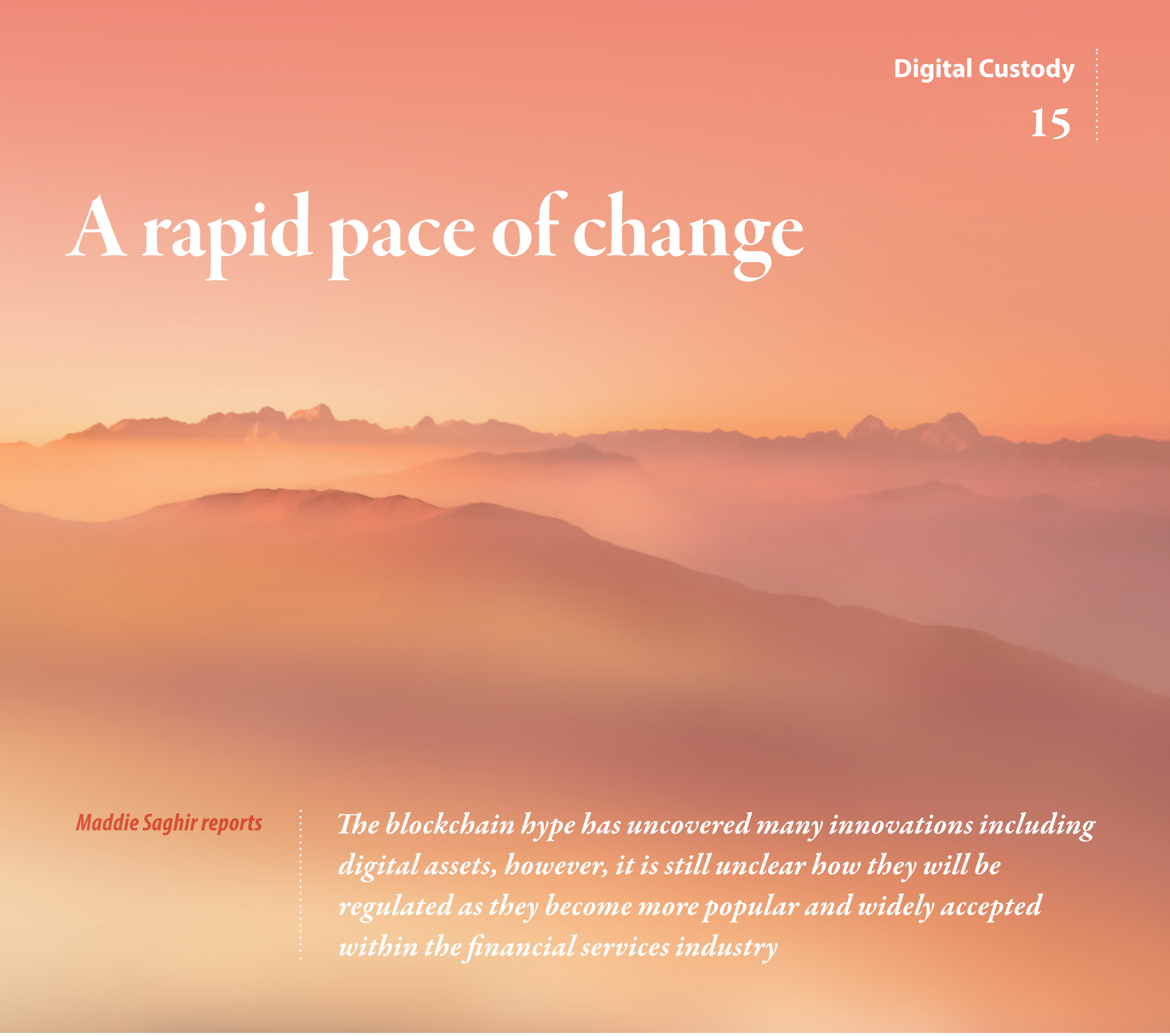
As for smaller firms, Wharton identifies that those with less settlement must ensure they have fewer failures. According to Wharton, this is because a CSD participant will be deemed to consistently and systematically fail when its settlement efficiency is 10 percent lower than the market average.

The impact and related damaging scenarios must be assessed, Wharton stresses. For example, is there a potential for a firm to be suspended from a CSD?

"Custodians and investment firms, in the context of securities settlement, have one year to implement and fully comply with the technical standards. After MiFID II, some may be feeling regulatory burn-out, but the outcome is stark. Those who fail to comply will face penalties and the potential revocation of CREST or another CSD membership," Wharton says.

He adds: "Ultimately, firms that take the long view will realise while CSDR is onerous, it creates a settlement discipline framework that improves transaction settlement rates and boosts transparency. For firms concerned with inadequate processes, collaboration with proven partners can ensure a smoother journey ahead."

Carpenter warns: "There is, literally, no hiding place for any of these market participants. For those that act now, there is an opportunity pre-regulatory go-live to deliver benefits and reduce the financial impact of the regulation. But for those that fail to act, they will quickly find that this particular law costs them much more than they initially thought."



A rapid pace of change

Maddie Saghir reports

The blockchain hype has uncovered many innovations including digital assets, however, it is still unclear how they will be regulated as they become more popular and widely accepted within the financial services industry

Blockchain has ushered in a new era in the finance world but perhaps one of the most interesting innovations blockchain has introduced is the rise of digital assets.

One of the key advantages associated with digital assets is the ability to lower costs, remove intermediaries in their distribution and tackle counterparty risk. This process occurs when financial or real assets are digitised on the blockchain.

As a result of this, a hype formed around initial coin offering (ICO), which particularly attracted those who had missed the mark on cryptocurrencies such as Bitcoin.

ICO, however, is highly risky. GMEX Group's chairperson and CEO, Hirander Misra, explains that the ICO bubble burst because there was a lack of regulation and trust resulting in many investors being burnt.

The burst ICO bubble prompted a move towards asset backed tokens with security token offerings (STOs) being undertaken in regulated environments so that the underlying companies/ assets can be properly vetted, according to GMEX Group's CEO.

Misra notes: "We expect these to be increasingly on regulated digital exchanges with regulated digital custody taking into account existing processes relating to the underlying assets."

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This is aligning the old world of traditional assets with the new digital world with fewer intermediaries and lower cost. Misra explains: "There will be more digital funds set up that tokenise assets in a way that traditional professional investors can invest."

As the rise of digital assets has changed the game of how the industry interacts with money, several digital custody services have popped up in recent years, including the partnership between Archax and Unbound Tech, for example.

This year, industry experts expect there will be more investigations into the economic advantages of digital assets, stronger demand for digital capital markets solutions, alongside increased advances in blockchain interoperability. Additionally, the development of regulation on digital exchanges is suggested to become more prominent. All of these things are set to bolster the digital asset space.

The digital demand

Digital assets are flying high in the asset servicing world and are becoming increasingly welcomed by institutional investors. Digital assets require enterprise-grade market infrastructure that can be integrated with existing technology and processes to run properly in regulated environments. This is so they can trust and align digital assets with the existing business.

Misra explains that as the potential impact of blockchain technology on financial markets - new and old - becomes more readily apparent, institutional investors are increasingly engaging with digital assets, whether directly or through service providers.

To back this up, Misra refers to a survey conducted by Fidelity Investments, published in May last year, which found that around 22 percent of investors already have some exposure to digital assets, while 40 percent say they are open to diving into this exciting market over the next five years. The survey findings also showed that, of those that have exposure, most investments were made in the last three years.

Discussing the changing attitudes towards digital assets across institutional investors, Myles Milston, CEO of Globacap, identifies that there is still a scepticism towards pure crypto assets such as Bitcoin, but that's shifting as institutions like Fidelity and Nomura start to provide custody for those assets.

The scepticism around crypto stems from the 2018 cryptocurrency crash, which occurred after an unprecedented boom in 2017, when the price of Bitcoin fell by approximately 65 percent during the month from 6 January to 6 February 2018.

However, Milston notes that people are showing an "increasing understanding of the many benefits that blockchain brings, especially in automating workflows and making existing manual work more efficient and cost-effective".

In terms of what is being done in the custodian community to service digital assets, Ralph Achkar, managing director, digital product development and innovation at State Street, identifies that they are actively monitoring demand from clients to understand the exact needs of solutions for digital assets.

Additionally, State Street are working with the market and regulators to "understand how existing rules, regulations, and constructs apply to digital assets, as well as conducting pilots to try new approaches and ideas for the custody of digital assets and ongoing work with existing wallet providers who have been servicing the digital asset space for some time", Achkar notes.

As attitudes towards digital assets are becoming increasingly positive, more work is being carried out to devise the market standards and tools that will enable crypto-asset services providers to interoperate with each other – floating towards the exciting second generation of blockchain in financial services.

Misra suggests: "It's going to lead to a bigger future. The second wave of blockchain now looks at much more multi-node activity across tiers, across jurisdictions and across business activities as well."

Archax's chief marketing officer, Simon Barnby, has observed that there are a number of initiatives around interoperability standards, but none has really established itself as the leader yet.

Barnby says that over time there is likely to be a "somewhat of a shakedown" reducing the number of different technology standards/providers.

He adds: "Projects such as the Archax Exchange, effectively normalise the differing standards for institutions and insulate them from the multitude of underlying technologies, standards and platforms being used."

A need for regulation

To encourage future advancement to further shape attitudes towards digital assets, regulators are working towards increasing regulation on digital assets after a lack of regulation was one of the main causes for the cryptocurrency crash back in 2018.

While regulators are at different stages of forming views on digital assets and how the different types of digital assets fit into their regulations, Nelson Macchi, head of operations at Finoa, a German-based fintech company, says that Europe is at the forefront of regulation with Germany leading the way.

Backing this statement up, Globacap's Milston notes that 'crypto assets' are currently unregulated, but Germany was the first country to introduce legislation around custody.

"This was a big step forward in allowing institutions to potentially invest in these types of assets more widely since it gave investors a framework by which regulated custodians could be used. That's a key requirement for institutional investors," Milston says.

Meanwhile, the current direction is consideration into how to fit existing regulation to the digital asset space, and how to bridge differences resulting from the use of distributed ledger technologies, observes Achkar.

"The initial focus is on private networks with a defined governance structure before considering public networks", Achkar says.

In jurisdictions such as the UK and the US, for example, Misra notes that increasingly, security tokens are seen as securities and will be subject to securities laws.

The time for unregulated digital exchanges is limited, according to Misra, as credible investors, whether they are retail or institutional, want to trade on a platform they can trust. He says: "It's inevitable that we will see a shift from unregulated exchange platforms for regulated ones not only on the securities side but also in the case of crypto derivatives that really need to be supported by a properly regulated clearing house to protect against potential events of default."

"In some jurisdictions where the prevailing laws do not support certain types of digital asset activity, regulatory Sandbox structures have been introduced so that the feedback within a two-year period of activity can then lead to policy changes at national level followed by regulatory changes, which can see the introduction of new types of licensed activity such as digital custodians, challenger banks and robo-advisory on the wealth management side," Misra explains.

Digital deployment

Predicting the 2020 landscape, Misra suggests that the key trends in the digital capital markets space will be based around: properly regulated digital exchanges and custodians go live; more assets tokenised and increased institutional involvement, demand for digital capital markets solutions; advancements in blockchain interoperability, the convergence of artificial intelligence (AI) and blockchains.

In terms of convergence of AI and blockchain, Misra predicts that there will be "greater application of AI in mainstream capital markets underpinned by blockchain immutability this year whether it is in investment management for robo-advisory, market surveillance or to drive smart contracts underpinned by the right data and analytics with self learning feedback loops".

Milston believes that a few large exchanges or banks will have deployed blockchain technology by the end of this year to replace at least some of their existing processes. He says: "The greater awareness this brings should kickstart a longer-term transformation in the capital markets industry."

Going back to regulation and how it will come into play for the year ahead, Macchi emphasises that infrastructure providers (as well as market makers and participants) "will have to close the gap" with standards in the existing in the traditional finance industry and current processes. For example, compliance, bringing trust to the overall industry and therefore a consequent overall growth.

Macchi highlights that the regulated security-token exchanges going live in 2020 will be SIX Swiss, Deutsche Boerse, and the London Stock Exchange.

Oz Mishli, vice president of products at Unbound Tech, suggests that most of the big players in the custodian community are "testing the waters" in terms of providing custody for digital assets, however, "few of them are actively moving forward into that direction and actually offering a service now or in the near future".

Northern Trust has appointed Sara Gilbert as senior executive for alternatives business development, which aligns with the bank's continued focus on alternatives.

In her new role, Gilbert will drive business development for Northern Trust's alternatives asset servicing business in Europe. Gilbert will be responsible for further accelerating Northern Trust's asset servicing solutions for multi-class strategies including private equity, private debt, real estate, infrastructure and hedge funds.

Based in Luxembourg, she joins the multi-jurisdictional Europe, the Middle East and Africa (EMEA) business development team. This team focuses on building relationships with managers and asset owners across the globe looking to establish funds in Luxembourg, Ireland, Guernsey and the UK. Most recently, Gilbert worked at AltaReturn in Hong Kong, where she focused on expanding their business into Asia-Pacific. Prior to this, she held roles at SS&C Technologies, SunGard/FIS, Financial News and the Financial Times.

Clive Bellows, head of global fund services for EMEA, at Northern Trust, said: "Sara Gilbert has extensive global experience working with alternative asset managers, helping them achieve best practice in their operating models, enhance efficiency, decision making, and investor engagement. Her appointment, combined with Northern Trust's innovative products and services will drive our continued growth across the alternative asset investment spectrum," Bellows added.

Ralph Hamers has been appointed as group CEO and president of the executive board of UBS Group AG, effective November 2020.

In November, Hamers will succeed the current group CEO, Sergio Ermotti. The UBS board of directors thanked Ermotti for his "outstanding contribution to the firm over the past nine years".

According to Axel Weber, board chairperson of UBS, Hamers is the right CEO to lead UBS into its next chapter.

Hamers will join from ING Group where he currently works as CEO. He joined ING in 1991 and progressed through a series of roles across business segments and geographies before becoming CEO in 2013.

Commenting on his appointment, Hamers said: "I'm honoured by the opportunity to lead this great institution. I have long admired the firm's transformation under the leadership of Weber and Ermotti."

He continued: "The firm has an outstanding global client franchise across its business divisions, all of which are underpinned by the incredibly strong UBS brand".

"I'm looking forward to working with the senior management team, the board of directors and all of UBS's employees to further strengthen the franchise and serve UBS's clients to achieve their goals."

Ermotti added: "It has been a privilege to lead UBS. I'd like to thank all my colleagues, past and present, for their dedication to serving our clients and making UBS what it is today."

Steven Hondelink has joined the International Securities Services Association (ISSA) board representing Deutsche Bank.

Hondelink will replace current board member James Cox, who has been on the board in September 2018.

At Deutsche Bank, Hondelink serves as head of securities services and agency securities lending for Europe, the Middle East and Africa (EMEA), a role that he started at the beginning of the year.

Prior to his current role, he worked as head of capital release for Deutsche Bank.

He has 25 years of industry experience and, since joining Deutsche Bank in 2001, has held various senior positions in global equities and the capital release group.

Commenting on the appointment, ISSA's CEO Colin Parry said: "Steven Hondelink's background from outside the securities services arena and his trading history will add to the skills of the board and help us continue to deepen our impact throughout the market."

ISSA is headed by an executive board made up of senior executives of the 15 sponsor firms plus the CEO and the secretary who are acting as independent representatives. In addition, also the head of the operating committee is a member of the executive board.

The board is responsible for the organisation and coordination of all activities of the association and sets its agenda.

BNP Paribas has bolstered its securities services team with the appointments of Simon Olenka and Patrick Hayes.

Olenka, who joined BNP Paribas in 2018 as head of UK client delivery, has been promoted to regional head of the UK and the Middle East, effective 1 April.

In his new role, Olenka will lead the securities services teams in the UK and the Middle East and will be responsible for helping the bank meet its growth targets in markets including IT, operations and change management.

Based in London, Olenka will report to Anne Marie Verstraete, BNP Paribas UK country head, and Alessandro Gioffreda, global head of territory management at BNP Paribas Securities Services.

Olenka succeeds Patrick Hayes, who has been appointed as global head of alternative investors.

Hayes joined BNP Paribas as regional head in 2016 after a 25-year career at State Street, where he served in roles including head of State Street global markets operations.

In his new role, Hayes will be based in Dublin and will report to Philippe Benoit, global head of strategic business development and transformation.

This announcement follows shortly after BNP Paribas' Securities Services made new appointments in January including Gioffreda's appointment as head of territory management, effective 1 April 2020.

Meanwhile, Alvaro Camuñas, the current global head of sales and relationship management for Securities Service, was appointed to head of client development, with responsibility for sales, relationship management, and client services, also effective 1 April 2020.

Commenting on the most recent appointments, Gioffreda said: "Simon Olenka brings extensive operational and client knowledge to the role, putting us in a strong position to continue to grow our business in the UK - which is a key location for BNP Paribas - and in the Middle East."

Benoit said: "Patrick Hayes takes the helm of our fast-growing alternative investors' client line at an exciting time for the business. We have been steadily investing in this space in recent years, bolstering our offering to private capital and hedge fund clients."

Citi has appointed Miguel Gabian as head of markets and securities services for Spain and Portugal, based in Madrid.

In his new role, Gabian will be responsible for leading and coordinating the markets and securities services business strategy in Spain and Portugal.

Gabian will lead the markets and securities services senior client and regulatory relationships in Spain and Portugal and will work in close partnership with trading, structuring, research and banking capital markets and advisory to source and drive transactions in collaboration with the markets team.

In his new role, he will report to Flavio Figueiredo, Western Europe markets head, and Bill Van Dyke, Spain country officer.

In addition, he will retain his direct responsibility for corporate sales and solutions group, and continue reporting to Mark Mathieson.

A spokesperson for Citi said: "Miguel Gabian's appointment is a great example of our talent and succession planning in action, a joint investment to ready internal talent for their next career development opportunity."

J.P. Morgan has made three new appointments to take on senior roles within its corporate banking and wholesale payments franchises in Asia Pacific as the bank continues to sharpen its focus on corporate clients in the region.

The hires include Tim Huang, who has been appointed as head of corporate banking for China, leading the overall strategy for corporate banking in this market.

Based in Shanghai, Huang will report to Oliver Brinkmann, head of corporate banking for Asia Pacific. Huang has 16 years of industry experience in management positions in the US and China.

Additionally, the bank has also placed Nancy Cheng in a newly-created role as head of new economy for corporate banking in Asia Pacific.

Based in Hong Kong, Cheng will drive the long-term growth of this client segment, and will also report to Brinkmann.

Meanwhile, Alan Lin has been named as the Asia Pacific head of core cash management, wholesale payments.

In this role, Lin will drive the firm's core cash management strategy including global clearing, receivables, payables and foreign exchange. Based in Singapore, Lin will report to Sridhar Kanthadai, head of wholesale payments for Asia Pacific.

According to J.P. Morgan, with a career spanning 27 years, Lin has held global and regional management roles in transaction banking across product, sales and implementation.

Kanthadai commented: "Lin has extensive experience in the region and we are pleased that he has joined the Wholesale Payments team at J.P. Morgan."

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Options Industry Conference

22-24 April 2020

Puerto Rico, USA

The Network Forum Annual Meeting

30 June - 02 July 2020

Berlin, Germany

The Network Forum Americas Meeting

27 October 2020

New York, USA

The Network Forum Asia Meeting

16-17 November 2020

Singapore

Trade and Transaction Reporting - Nordics

5-6 December 2020

Stockholm, Sweden

For further information visit: **www.assetservicingtimes.com/events**